

## Message Text

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ORIGIN PM-07

INFO OCT-01 EUR-25 ADP-00 L-03 EB-11 TRSE-00 CIAE-00

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OSD/GC - J. J. ALLEN

SAFUSI - P. F. HILBERT

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R 151453 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

INFO SECDEF

CSAF

CINCUSAFE

HQ 3 AF RAF MILDENHALL ENGLAND

ESD LG HANSCOM FLD

C O N F I D E N T I A L STATE 116788

E. O. 11652: GDS, DEC. 1979

TAGS: MARR/ UK/ US

SUBJECT: COBRA MIST FACILITY; NONPAYMENT OF BRITISH SUB-  
CONTRACTORS BY FILTRON COMPANY, INC.

REF: LONDON 4951

1. CONTENT OF REFTEL HAS BEEN BROUGHT TO THE ATTENTION OF  
AF AND HISTORY OF THIS CASE HAS BEEN CAREFULLY REVIEWED BY  
THEM. ON THIS BASIS, REGRET TO ADVISE THERE APPEARS TO BE  
LITTLE OR NO PROSPECT OF ANY USAF ACTION TO THE BENEFIT  
OF FILTRON CREDITORS, AND WE CONSIDER IT IMPORTANT THAT ALL  
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CONCERNED, INCLUDING MOD, RECOGNIZE FACTS IN THIS CASE AND THE LIMITATIONS RESULTING THEREFROM UPON USAF LEGAL CAPABILITIES TO ASSIST. WE ALSO NOTE THAT USAF HAS TAKEN EVERY ACTION THEY BELIEVE POSSIBLE TO THIS POINT, ALL TO NO AVAIL.

2. THERE IS NO LEGAL RELATIONSHIP BETWEEN USAF AND ANY FILTRON SUBCONTRACTORS. CONTRACT WITH FILTRON DOES NOT REQUIRE APPROVAL OR SUPPORT OF ANY SUBCONTRACTORS BY USAF. USAF CAN FIND NO INDICATION IN FILES, OR OTHERWISE, OF ANY ENDORSEMENT OR EVEN PROVISION OF INFORMATION REGARDING FINANCIAL RESPONSIBILITY OF FILTRON TO ANY ACTUAL OR

POTENTIAL SUBCONTRACTORS. SETTLEMENT BETWEEN USAF AND FILTRON WAS MADE IN ACCORDANCE WITH NORMAL PROCEDURES UPON COMPLETION AND ACCEPTANCE OF THE WORK WITHOUT KNOWLEDGE OF THE LEGAL AND CONTRACTUAL RELATIONSHIPS BETWEEN FILTRON AND ITS SUBCONTRACTORS. ALTHOUGH AWARE OF SOME OUTSTANDING MATTERS IN DISPUTE BETWEEN FILTRON AND SOME SUBCONTRACTORS, THE CONTRACTING OFFICER DETERMINED THAT THE MATTERS IN DISPUTE BETWEEN FILTRON AND SOME SUBCONTRACTORS COULD NOT HAVE RESULTED IN A VALID CLAIM AGAINST THE US GOVERNMENT OR A LIEN UPON ANY US PROPERTY OR ASSETS WITH WHICH THOSE SUBCONTRACTORS HAD BEEN ASSOCIATED. WORK HAD BEEN COMPLETED AND PAYMENTS MADE AGGREGATING \$1,456,003, PRIOR TO THE REQUEST FOR ASSISTANCE MADE BY MOD TO EMBASSY LONDON AND REPORTED IN LONDON'S 4268, 11 MAY 71. THUS, USAF COULD ONLY ATTEMPT TO INDUCE PAYMENT BY FILTRON ON BASIS OF PROTECTION OF US NATIONAL GOOD WILL BUT WAS WITHOUT ANY LEGAL OR JUDICIAL MEANS TO ENFORCE SUCH PAYMENT. USAF HAS REPEATEDLY STATED THAT NO RELATION EXISTS BETWEEN ANY AMOUNT WHICH MIGHT BE DUE TO FILTRON FROM USAF AND THE LATTER'S PAYMENT TO ANY OF ITS CREDITORS, DOMESTIC OR FOREIGN. FURTHERMORE, WHILE FILTRON HAS MADE CLAIMS AGAINST USAF FOR FURTHER PAYMENTS OF SOME \$224,000, SUCH CLAIMS ARE NOT ADEQUATELY SUPPORTED AND USAF FINDS NO LEGAL BASIS TO RECOGNIZE ANY INDEBTEDNESS TO FILTRON EXCEPT FOR THE CONTRACT AMOUNT BEYOND APPROXIMATELY \$4500. THE CONTRACT AMOUNT WAS \$1,466,583. AF HAS PURSUED THIS MATTER NOT ONLY WITH THE CONTRACTOR, FILTRON, BUT WITH THE PARENT

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COMPANY, LIQUIDONICS INDUSTRIES, INC., OF WHICH FILTRON IS A SUBSIDIARY. SUCH PRESSURES INCLUDED A NOTICE OF INTENT TO DEBAR BOTH FILTRON AND ITS PARENT CORPORATION FROM PARTICIPATION IN FUTURE GOVERNMENT CONTRACTS.

3. ON 5 MAY 71, FILTRON HAD FILED A VOLUNTARY BANKRUPTCY, AND ALL OF ITS ASSETS CAME UNDER THE JURISDICTION OF BANK-

RUPTCY COURT. THEREFORE, ANY CLAIMS BY OR AGAINST IT WERE UNDER THE JURISDICTION OF THAT COURT, AND ACCORDINGLY, REGARDLESS OF ITS DESIRES, USAF COULD NOT DISBURSE FOR THE BENEFIT OF ONLY A PORTION OF THE CREDITORS ANY FUNDS WHICH MIGHT BE OWING TO FILTRON. IT APPEARS THAT AS OF DECEMBER 31, 1971, FILTRON OWED \$1,104,000, OF WHICH ONLY \$123,000 WAS OWED TO UK SUBCONTRACTORS. USAF MUST ASSUME THAT UK SUBCONTRACTORS HAVING CLAIMS AGAINST FILTRON HAVE PROCEEDED FOR THE PROTECTION OF THEIR CLAIMS IN ACCORD WITH BANKRUPTCY LAWS. ANY INQUIRIES COULD BE ADDRESSED TO STANLEY TAUDIN, TRUSTEE IN BANKRUPTCY, 635 KATHLEEN PLACE, WESTBURY, NEW YORK 11590.

4. IF MOD, EMBASSY, OR THIRD AIR FORCE HAVE ANY KNOWLEDGE OF ANY ARRANGEMENT BY WHICH FILTRON CREDITORS WERE INDUCED TO PROVIDE SERVICES OR MATERIAL SUPPORT BASED ON ANY EXPRESSED OR IMPLIED REPRESENTATION OF AN OBLIGATION ON THE PART OF THE US GOVERNMENT TO PROTECT THE SUBCONTRACTORS IN THEIR RELATIONS WITH FILTRON, USAF WOULD APPRECIATE THE DETAILS THEREOF SINCE THE FILES AT USAF HEADQUARTERS GIVE NO CLUE TO THE EXISTENCE OF ANY SUCH SITUATION.

5. IN SUMMARY, BASED ON THE INFORMATION AVAILABLE TO THEM, USAF HAS CONCLUDED THAT NO FURTHER ACTION IS POSSIBLE BY THEM FOR THE BENEFIT OF BRITISH CREDITORS AND BELIEVES THAT EVERY POSSIBLE ACTION AVAILABLE TO THEM HAS BEEN TAKEN TO PRESS BOTH THE SUBSIDIARY AND PARENT COMPANY TO SETTLE WITH ITS BRITISH CREDITORS. BELIEVE EMBASSY MAY WISH TO SUGGEST TO HMG THAT THEY INSURE THAT CREDITORS HAVE KNOWLEDGE OF THE ABOVE- STATED FACTS. PORTER

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\*\*\* Current Handling Restrictions \*\*\* n/a

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**TAGS:** MARR, UK, US  
**To:** CINCUSAFE  
CSAF  
ESD LG HANSCOM FLD  
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